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ANNUAL REPORT 1 9 6 1

AUGUST 3/62

THE BELL TELEPHONE
COMPANY OF CANADA





The Information office in our new Eglinton Avenue building in Toronto is the first of its kind in Canada. The girls greatly appreciate this desk-type layout.

EIGHTY-SECOND

ANNUAL REPORT

THE BELL TELEPHONE COMPANY OF CANADA
1050 BEAVER HALL HILL, MONTREAL

A Canadian company owned in Canada

Of the 178,126 shareholders 97 per cent reside in
Canada, and they own 92 per cent of the total stock.

YEAR ENDED DECEMBER 31, **1961**



THE COVER

*Newly-installed switching equipment
undergoes rigid testing and inspection
before being placed in service
at Acton, Ontario.*



Shopping centres have become part of our modern way of living. They are ideal locations for displays of attractive new telephones—like this one at the Cote St. Luc centre in Montreal.

DIRECTORS

L.-J.-ADJUTOR AMYOT *Quebec*

HENRY BORDEN, C.M.G., Q.C. *Toronto*

C. GORDON COCKSHUTT, M.C. *Brantford*

JAMES E. DINGMAN *New York*

THOMAS W. EADIE* *Montreal*

MARCEL FARIBAULT* *Montreal*

JOHN A. FULLER* *Montreal*

R. DICKSON HARKNESS, D.S.O., M.C.* *Montreal*

JAMES A. HOBBS* *Montreal*

FREDERICK JOHNSON* *Montreal*

ROBERT A. LAIDLAW *Toronto*

HERBERT H. LANK* *Montreal*

RAY E. POWELL* *Montreal*

EDWARD A. ROLPH* *Montreal*

GRAHAM F. TOWERS, C.M.G. *Ottawa*

**Member of the Executive Committee*

OFFICERS

THOMAS W. EADIE
President and Chairman of the Board

EDWARD A. ROLPH
Executive Vice-President

GEORGE M. GRANT, C.B.E.
Vice-President

JAMES A. HOBBS
Vice-President

ALEXANDER G. LESTER
Vice-President

NORMAN A. MUNNOCH, Q.C.
Vice-President & General Counsel

WILLIAM C. CORBETT
Treasurer

SIMCOE C. SCADDING
Secretary

ROBERT C. SCRIVENER
Vice-President

MARCEL VINCENT
Vice-President

HAROLD G. YOUNG
Vice-President

WILLIAM McNEILL, O.B.E.
Comptroller

JOHN A. DOCHSTADER
Assistant to the President

VICE-PRESIDENTS & GENERAL MANAGERS

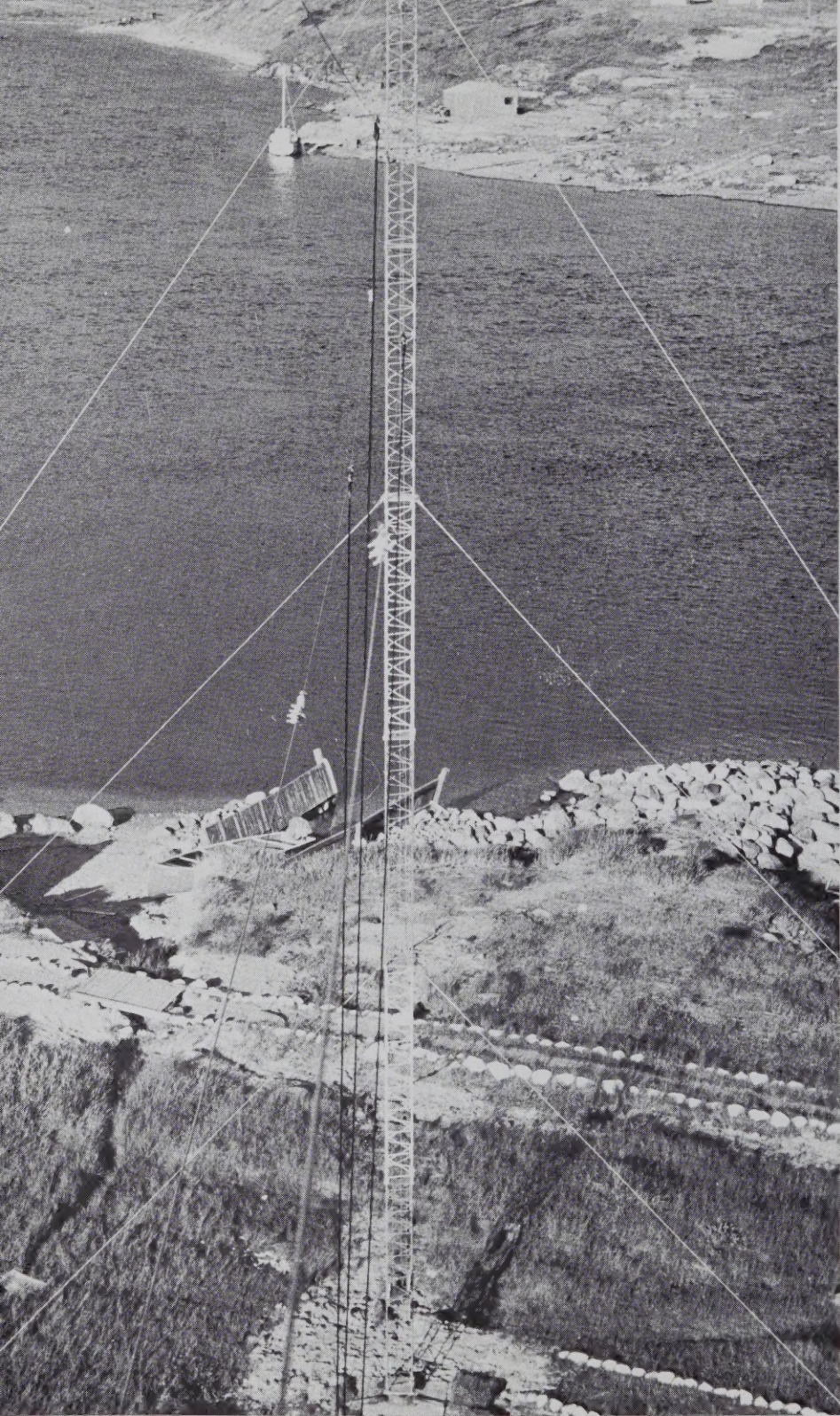
W. HARVEY CRUICKSHANK *Toronto Area*

C. LEONARD DEWAR, O.B.E. *Montreal Area*

ARNOLD J. GROLEAU *Toll Area*

WALLACE M. RANKIN *Western Area*

JOHN R. TRAVES *Eastern Area*



This picture, taken by a Bell engineer working on the spot, shows the antenna mast for the radio system which has brought long distance telephone service to Port Harrison on the shore of Hudson Bay.

A MESSAGE FROM THE PRESIDENT

In 1961 our organization of some 34,000 people made noteworthy progress in serving the public. Our customers were provided with more extensive service and a wider range of services than ever before.

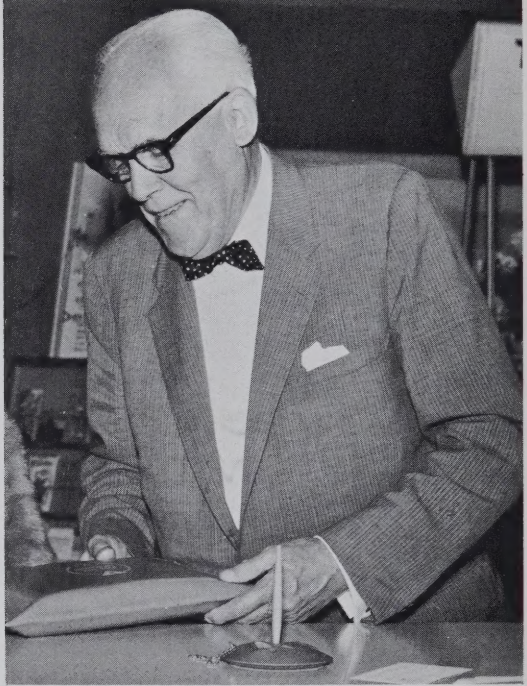
Earnings per share for the year were about the same as in 1959 and 1960. This might give the impression that we have reached an assured and acceptable earnings level but such is far from the case. On the one hand, we cannot take the current level for granted; the future holds too many pressures and uncertainties. On the other hand, if the service we give wins full customer support, and the control of operating costs is well maintained, we are in a position to improve our earnings. This is the goal we have set firmly before us.

The scope of our service is growing all the time, as we find both new places and new ways to serve. In 1961, we opened at Alma, Quebec, a high-frequency radio station that has extended the national telephone network through Northern Quebec up to James Bay, Hudson Bay and the tip of Ungava, as well as in Labrador. We have been active, too, in bringing modern exchange service to communities in Northern and Northwestern Ontario.

New long distance rates, including many reductions, were introduced in November. They are designed to encourage greater use of the service as well as a pattern of calling which employs our large-capacity automatic switching centres and microwave throughways to best advantage. Thus they should benefit customers and shareholders alike.

New offerings to our customers in 1961 range from more convenient service in the home to advanced communications for all kinds of businesses. This Company must be able to adapt a wide variety of services to the needs of the individual user. To do so, we must have up-to-date knowledge of the customer's actual and potential requirements. We have appointed several more

When the Telephone Pioneers of America convened their 50th Anniversary Assembly in Boston last September, Mr. Eadie was one of 175 Canadian delegates and guests.



account managers, senior sales people who can look after every aspect of service for a business customer. We have also reorganized our commercial offices so that trained staffs are readily available to handle the more complex orders and queries associated with business service.

These new services and ways of providing service are concrete examples of how we carry out our basic obligation — to conduct the business in our customers' interests. To this end, decisions have to be made every day which demand a balancing of service and cost — in both the use of capital and the operation of the enterprise. We have endeavoured to appoint and develop management people who will make these decisions wisely.

Many of the items of equipment which make up a modern range of communications are sold by other companies; to remain a progressive enterprise we must be competitive. This is not just a matter of price, there must be customer appeal in the nature and quality of services as well as in their cost. The Company's reputation will reinforce our ability to compete only so long as wanted services are readily available. In 1961, our people made big strides in ensuring such availability.

Our service must prove itself at several levels. We must please the individual customer and ensure that each community or region gets the communications it needs. Also, in cooperation with the rest of the Canadian

telephone industry we have to meet requirements on a national scale. In the present uncertain state of the world many of these relate to national defence, and must receive absolute priority.

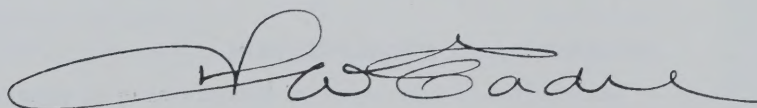
In all this, the Northern Electric Company, our manufacturing subsidiary, makes an important contribution. The quality of our service owes much to the quality of its products. The price at which we can offer service, the speed with which we meet requirements, the versatility of our installations, each benefits from the close association with Northern Electric.

As the equipment we use grows in complexity, the Northern Electric contribution becomes still more significant. The opening in 1961 of its modern research centre in Ottawa promises well for the prompt development of services with facilities specially designed to meet Canadian needs and conditions.

The scope of Canadian demand for communications emphasizes the importance of cooperation between telephone systems. This Company is an active member of the Trans-Canada Telephone System, a nation-wide organization. We also work closely with the independent telephone industry of Ontario and Quebec, which comprises 483 separate systems, serving 336,500 telephones. In 1961, regular consultative meetings were arranged with representatives of the independents, with the mutual purpose of improving service for our customers.

New services and changes to improve the running of the business have placed new requirements on all telephone people. There is greater need for technical skills — to match the intricacy of the new installations, to plan and institute further mechanization. A sense of the unity of the Company is vital, encouraging productive cooperation between departments. Above all, we must conduct our business so that we always appreciate and, where it is within our ability to do so, satisfy our customers' service needs.

During the year the employees of this Company, to whose loyalty and application I wish to pay personal tribute, worked hard and well to develop it as both a worthy provider of a public service and a vigorous enterprise.

A handwritten signature in dark ink, appearing to read "H. W. Adams". The signature is fluid and cursive, with a large initial "H" and a long, sweeping underline.

Montreal, February 5, 1962.

REPORT IN BRIEF

EARNINGS

Earnings were \$2.50 per share, and return on invested capital held steady at 6 per cent. We paid \$2.20 dividends per share. Accumulated surplus now totals \$2.49 per share.

REVENUES AND EXPENSES

Business upturn in the second half of 1961 and intensified marketing effort helped bring revenue increase of 7.1 per cent. Effective control held increase in expenses to 4.5 per cent.

SERVICE EXTENSION AND IMPROVEMENT

\$192,600,000 was invested to extend, improve and mechanize our services. Telephones increased by 180,000; long distance messages by 6.9 per cent.

Versatile services and items of equipment strengthened our position in the business market. Convenience and colour in home telephone service appealed to a growing number of customers.

Nearly two out of three of our customers can now dial long distance calls. Radio-telephone service reached into wide areas of Northern Quebec and Labrador; several new exchanges were established there.

FINANCING

New capital raised was \$125,000,000: \$81,000,000 through an issue of stock; \$35,000,000 received for bonds sold in December, 1960; \$9,000,000 from the Employees' Stock Plan.

EFFICIENCY AND MECHANIZATION

Mechanization and improved procedures in all departments proved effective aids to cost control and efficiency.

FINANCIAL HIGHLIGHTS

EARNINGS SUMMARY

	1961	1960
Operating Revenues	\$433,656,654	\$404,848,423
Other Income	6,665,744	6,975,938
	<u>\$440,322,398</u>	<u>\$411,824,361</u>
Operating Expenses	\$282,487,927	\$270,428,499
Taxes	73,483,000	64,731,000
Interest	26,660,950	23,152,955
	<u>\$382,631,877</u>	<u>\$358,312,454</u>
EARNINGS AVAILABLE FOR DIVIDENDS	\$ 57,690,521	\$ 53,511,907
Dividends to shareholders	50,786,210	46,652,348
Retained in the business	6,904,311	6,859,559

FLOW OF FUNDS — 1961

SOURCE OF FUNDS

Retained earnings for the year	\$ 6,904,311
Provision for depreciation, and net proceeds from disposals of plant	86,919,239
Proceeds from stock issue	80,937,872
Net proceeds from Employees' Stock Plan	11,515,854
Proceeds from bond issue	34,454,514

\$220,731,790

APPLICATION OF FUNDS

Construction expenditures	\$192,579,190
Increase in working capital	16,219,885
Redemption of debentures	10,000,000
Miscellaneous items (net)	1,932,715

\$220,731,790



Large-scale construction has its special communications needs. For the builders of Place Ville Marie in Montreal, we installed 120 telephones, 250 jacks for closed circuit winch control, and nearly 250 loudspeakers for paging and fire control.

This Bell craft on the Muskoka Lakes is a complete installation van on floats, powered by two outboards. It operates from thaw to freeze-up providing and maintaining service for island customers.



THE REPORT OF THE DIRECTORS

The Company's earnings in 1961 were \$2.50 per share — a return of six per cent on invested capital. An annual dividend of \$2.20 was paid, and our accumulated surplus after 81 years of operation was equal to \$2.49 per share.

Our operating revenues were 7.1 per cent higher than in 1960; they reflect an intensified marketing effort and an upturn in business conditions in the second half of the year. Contributing to the increase, revenues from local service were 7.4 per cent higher, and revenues from long distance service were 6.5 per cent higher. Other revenues — chiefly from the sale of directory advertising — improved by 7.2 per cent.

Our earnings level owed much to the effective control of operating expenses. Although we increased telephones in service by 180,100 or 5.1 per cent and carried 6.9 per cent more long distance messages than in 1960, expenses rose by only 4.5 per cent. Indeed, for the second year in succession there was an encouraging drop in operating expenses per telephone.

A wage increase, averaging 2.8 per cent, went into effect at the end of November 1961, following collective bargaining.



Customers Enjoy More Convenient Service

In 1961, our customers' orders bore witness to the growing appeal of convenient service and attractive, colourful phones. We extended considerably the range of our services, and paved the way for many new offerings in the years ahead.

The proportion of urban residence customers with individual lines rose during the twelve months from 59 to 63 per cent. There was a steady increase in the number of extension phones in the home; they now equal 17 per cent of residence main telephones. And by the end of the year one out of every five telephones in service was in colour.

TELEPHONES	
Total, end of 1960	3,515,007
Added, 1961	<u>180,100</u>
Total, end of 1961	3,695,107

Outstanding, however, was the acceptance by business customers of such communications services as Call Directors, private branch exchanges (PBX), and key-telephones. Revenues from these services have increased much more rapidly than our revenues in general.

Here are some of the New Services Introduced in 1961 . . .

Centrex — With this new type of private branch exchange, calls can be dialed both to and from any extension without operator assistance.

Data-Phone — Customers can transmit data between many kinds of business machines, using the regular telephone network.

Bellboy — This pocket radio signaller will alert a customer, who may be out in the plant or visiting a nearby office, that a phone call has come in for him.

Home Interphone — Regular telephone service is combined with home intercommunication and a door answering system. The latter is also available as a separate service.

Concealed Wiring — Whenever possible we are wiring houses for service while they are being built. This encourages more extensive use of the telephone, and helps us keep down operating costs.

We are Providing Many Kinds of Communication Service

The Trans-Canada Telephone System was awarded the contract for the CTV private television network, linking stations from Halifax to Vancouver. This Company is responsible for the section in Ontario and Quebec.

Emergency, fire and accident reporting systems using the telephone network were set up in several municipalities. We are installing 600 telephones for emergency purposes for the Montreal police.

Particular attention was paid to adapting communications to special needs. For instance, we developed a teletype auctioning network to link the Ontario Hog Producers Co-operative with pork packers across the province. Its success has aroused interest in a similar system for marketing eggs.

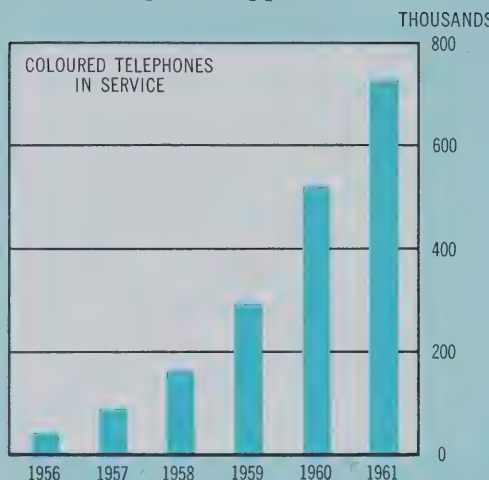
Planning was carried out in preparation for introducing Wide Area Telephone Service (WATS) in 1962. This will provide business customers with flat-rate long distance service over territory ranging from a section of a province to the whole of Canada.

We made good progress in developing a versatile closed circuit system for educational television. We will be presenting this to educational authorities during 1962.

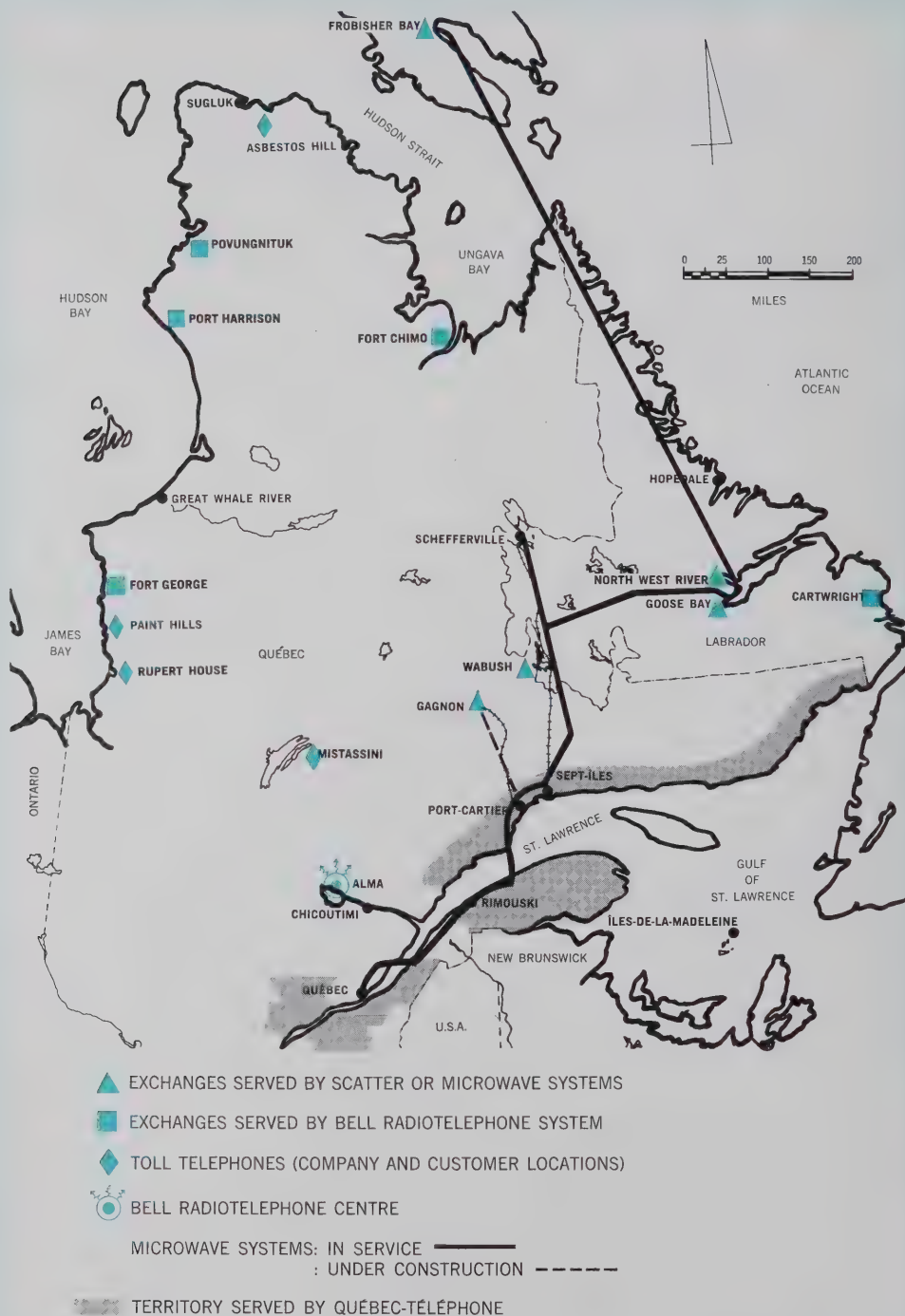
Long Distance Rates were Revised

A new rate schedule for long distance calls in our territory, introduced in November, included quite large reductions on long-haul calls and special low rates after nine in the evening. Another feature was a wider differential between station-to-station and person-to-person calls, reflecting the lower cost of automatic switching compared to operator-handled service.

Telephones in colour
have strong sales appeal



TELEPHONE DEVELOPMENTS IN NORTHERN QUEBEC AND LABRADOR



\$192,600,000 was Spent on Construction

We spent \$192,600,000 on extending, improving and mechanizing service.

New buildings were constructed or additions to existing buildings completed in 86 communities.

In all we now have over 1,100 buildings.

Sixty-four manual exchanges were converted to dial operation. Over 95 per cent of our telephones are now dial operated. During the next two years our remaining manual exchanges will go dial at a rate of one every four or five days.

The program for improving service in rural areas advanced in other ways. Nearly 70 per cent of our multi-party customers now share a line with five or less other parties.

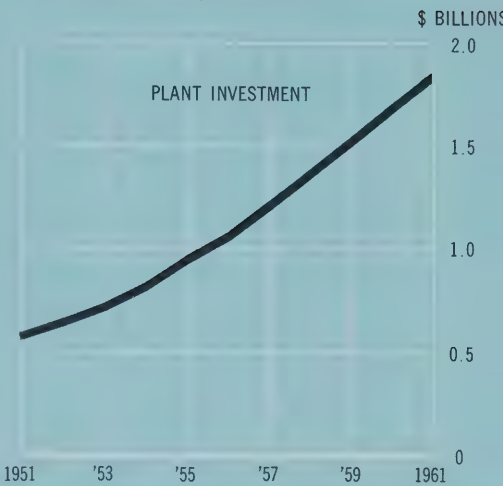
We placed in service some 7,000 miles of telephone cable; two-thirds was either buried or laid in underground conduit. By putting more cable underground we meet a stated public preference, improve reliability and also hold down maintenance costs.

Direct Distance Dialing was introduced in several more communities; almost two-thirds of our customers now have DDD service available to them.

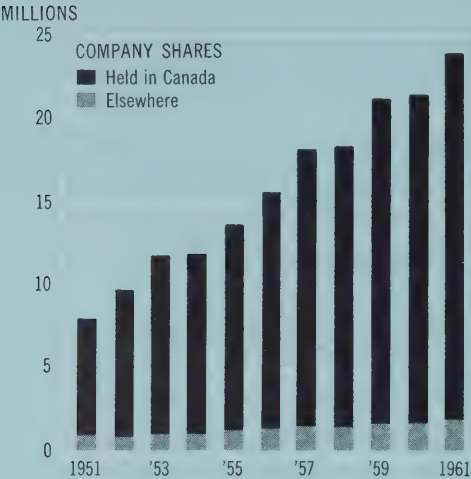
In June, we opened a high-frequency radio station at Alma, Quebec, to provide long distance service in outpost communities through Northern Quebec and Labrador. In several of these we also established local exchange service. The map on the opposite page shows how widespread are our installations in this vast area.

The year brought more communications requirements for national defence. Lines and equipment were provided for the Ballistic Missile Early Warning System, and are being installed for the SAGE air-defence centres. We provided, too, essential communications for the national survival program.

Plant and equipment now close to \$2 billions



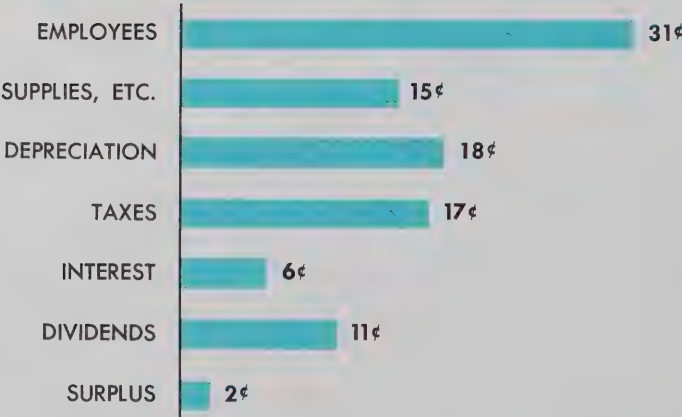
Company shares:
92 per cent owned by Canadians



Rate of return steady
at 6 per cent



DISPOSITION OF INCOME DOLLAR



Mechanization Plans are Well Under Way

A program for mechanizing many administrative and operational procedures is under way throughout the Company; it is proving a most effective aid to expense control. Activities recently mechanized include: ordering supplies; assessing sources of revenue; maintaining pole records and other inventories; developing the construction program; preparing the payroll; issuing dividend cheques. The processing of both customer-dialed and operator-dialed long distance calls is now largely mechanized.

In general, these developments represent stages we must pass through in preparation for the introduction of large-size electronic computers.

The search for more efficient procedures is carried on in all departments. Drawings of equipment for engineering purposes are being put on microfilm in increasing numbers — to save space and protect valuable records. Engineers can get copies of drawings made as they need them, and study them with desk-type readers. New tools and ways to do a more efficient Plant Department job have received close attention. One new vehicle was christened the “boy scout’s knife” because of its versatility. Its two-man crew can dig pole holes, place the poles in position, and then attach cable to them, working from a basket that is raised hydraulically. Increased use is being made of versatile and compact crossbar switching installations to provide modern dial service in small or remote communities.

There was both Stock and Bond Financing

In 1961, we raised \$125,000,000 of new capital.

Payment for \$35,000,000 of 6 per cent bonds, negotiated the previous December, was received in January, 1961. Ten million dollars were used to redeem in April the Series B 4½ per cent debentures, which would have matured in October.

Almost \$81,000,000 was raised through the sale of capital stock, offered in March to existing shareholders at \$38.00 per share. The issue was 99.5 per cent subscribed.

Shares issued to employees under the Employees’ Stock Plan provided \$9,000,000 of new capital. Over 24,000 employees are at present using this thrift plan to buy more than one million shares.

Arrangements were completed towards the end of 1961 to sell through Canadian underwriters \$40,000,000 of 5½ per cent bonds dated January 2, 1962, maturing January 2, 1982, with interest and principal payable in Canadian funds. As delivery and payment for these bonds did not take place until



In remote parts of Northern and Northwestern Ontario we provide service by radio-telephone. This customer operates one of many hunting and fishing camps deep among the woods and lakes.

More and more telephone cable of all kinds is being placed underground. This trencher is burying the cable to bring service to a new home in the Madawaska Valley, north of Belleville, Ontario.



January 1962, this issue is not included in the long term debt at the end of 1961.

At the end of the year there were 178,126 shareholders, an increase of 6,838 during 12 months. Some 97 per cent of our shareholders reside in Canada; they own 92 per cent of the stock. Only six per cent is held in the United States.

Things We are Doing to Ensure Good Service

Good service is composed of technical excellence, reasonable cost, and a way of providing it that satisfies the customer. Good service is the responsibility not only of our people who deal directly with the public, but of all who plan, construct, operate and administer.

During the past year, the employees did a fine job of furnishing service according to these standards. This does not mean there is no room for improvement. We are, for instance, continually seeking ways to enable our employees to better meet the preferences of individual customers.

In 1961, new approaches were used to identify people with talent and promise, and place them where they can make the greatest contribution. We paid particular attention to selecting the right people for new types of work. Looking to the future, we must develop employees who will devise, market and operate services that will win customer approval.

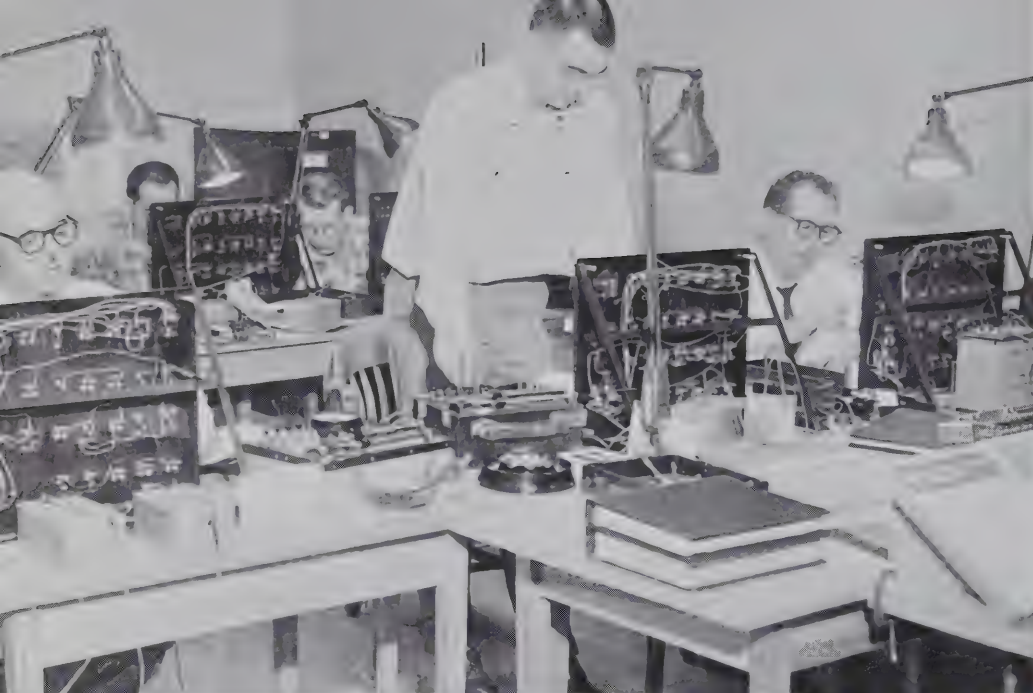
BENEFITS AND PENSIONS

UNDER THE PLAN FOR EMPLOYEES' PENSIONS, DISABILITY BENEFITS AND DEATH BENEFITS

YEAR 1961

Sickness Benefits	\$1,181,557
Accident Benefits	73,510
Death Benefits	382,860
Disability Pensions	64,216

The Company has established a fund with The Royal Trust Company, Montreal, as Trustee; this fund is irrevocably devoted to service pension purposes. Under an accrual program based on actuarial studies, regular payments are made to the fund by the Company and amounted to \$10,958,558 in the year 1961. The amount in the fund fully provides for future service pension payments to those now on the pension rolls and those now entitled to retire on pension at their own request. The fund is not a part of the assets of the Company and is therefore not reflected in the balance sheet.



To ensure good telephone service, our craftsmen must be well trained in a wide range of modern techniques. In fact, Plant training people run 70 separate courses covering different aspects of the construction, installation and maintenance jobs.



The Governor General, His Excellency Georges P. Vanier congratulates N. J. Meehan, PBX Installer in Toronto, on being admitted to the Most Venerable Order of the Hospital of St. John of Jerusalem as a Serving Brother. In 1961, more than 5,700 Bell men and women successfully completed the first aid course of the St. John Ambulance Association.

Major Medical Expense Plan Introduced

A Company-paid Extraordinary Medical Expense Plan was introduced in July. Assisting employees to meet the heavy cost of serious illness or accident to themselves or immediate dependents, it supplements the protection of the provincial Hospital Care Plans and the employee-paid Surgical-Medical Plan to which most subscribe.

Directors and Officers — Changes and Appointments

Simcoe C. Scadding, who was elected to the Board of Directors at the shareholders' Annual Meeting in March, resigned from the Board in May. Marcel Vincent was appointed to the Board in June. He resigned from the Board on October 25 and James A. Hobbs was appointed on the same date.

R. Holley Keefer, Vice-President, resigned from this Company on his appointment, in July, as President of the Northern Electric Company Limited. Robert C. Scrivener became Vice-President (Finance), being succeeded by Wallace C. Macpherson as Director of Business Development.

Jack R. Logan, Vice-President & Treasurer, while remaining a Vice-President in a consultative capacity to the President, was succeeded as Treasurer by William C. Corbett in July. Mr. Logan retired from the Company in October after 52 years of most valuable and appreciated service, 27 of them as Treasurer.

In November, Marcel Vincent was appointed Vice-President (Operations Staff). He was succeeded as Vice-President & General Manager — Eastern Area by John R. Traves.

For the Board of Directors,

A handwritten signature in dark ink, appearing to read "H. A. B. A. D. E.", written in a cursive style.

February 5, 1962.

Chairman.

COMPARATIVE

ASSETS

	Dec. 31, 1961	Dec. 31, 1960
Telephone Property (at cost)		
Land and Buildings.	\$ 178,633,183	\$ 164,934,030
Telephone Plant and Equipment	1,663,914,493	1,532,987,412
Switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture and other equipment.		
TOTAL TELEPHONE PROPERTY	<u>\$1,842,547,676</u>	<u>\$1,697,921,442</u>
Investments (at cost)		
Subsidiary Companies	\$ 26,815,101	\$ 26,665,100
Other Investments	14,160,395	13,332,401
The aggregate market value of investments in subsidiary companies and of other investments (or net worth where market values are not available) exceeds the cost.		
TOTAL INVESTMENTS	<u>\$ 40,975,496</u>	<u>\$ 39,997,501</u>
Current Assets		
Cash	\$ 3,180,244	\$ 4,422,601
Temporary Cash Investments	18,479,677	1,999,794
Accounts Receivable	50,395,874	44,406,438
Amounts due for service (less provision for uncollectible accounts), dividends, interest, rents, etc., and working advances to employees.		
Material and Supplies	11,089,454	9,945,742
Principally for construction and maintenance purposes, held at cost.		
TOTAL CURRENT ASSETS	<u>\$ 83,145,249</u>	<u>\$ 60,774,575</u>
Deferred Charges		
Prepayments and Other Deferred Charges	\$ 11,826,109	\$ 11,455,541
Rents, taxes, insurance, cost of directories and other items applicable to period subsequent to December 31.		
Unamortized Discount, Premium and Expense on Long Term Debt	4,895,545	4,688,654
TOTAL DEFERRED CHARGES	<u>\$ 16,721,654</u>	<u>\$ 16,144,195</u>
TOTAL ASSETS	<u>\$1,983,390,075</u>	<u>\$1,814,837,713</u>

Signed on behalf of the Board of Directors:
F. JOHNSON, *Director*.
MARCEL FARIBAUT, *Director*.

BALANCE SHEET**LIABILITIES**

	Dec. 31, 1961	Dec. 31, 1960
Capital Stock and Surplus		
Common Stock — par value \$25 per share	\$ 593,673,625	\$ 533,501,800
Authorized: by charter — 40,000,000 shares, by shareholders — 30,000,000 shares. Outstanding: 23,746,945 fully paid shares at December 31, 1961.		
Premium on Capital Stock	195,122,630	165,010,206
Amount received in excess of par value.		
Surplus	59,364,148	52,732,735
Retained Earnings for year 1961 \$ 6,904,311		
Miscellaneous deductions (net) 1961 272,898		
TOTAL CAPITAL STOCK AND SURPLUS	<u>\$ 848,160,403</u>	<u>\$ 751,244,741</u>
Long Term Debt (see page 25)		
Bonds — First Mortgage	\$ 560,000,000	\$ 525,000,000
Debentures	10,000,000	20,000,000
TOTAL LONG TERM DEBT	<u>\$ 570,000,000</u>	<u>\$ 545,000,000</u>
Current and Accrued Liabilities		
Accounts Payable	\$ 31,108,099	\$ 29,636,749
Subsidiary Companies 1961. \$17,465,018		
Amounts owing for supplies, payrolls and other items.		
Advance Billing and Payments for Service	11,631,032	10,748,683
Dividend Payable	13,060,820	11,737,040
Taxes Accrued	28,203,625	26,669,150
Interest Accrued.	7,918,081	6,979,246
TOTAL CURRENT AND ACCRUED LIABILITIES	<u>\$ 91,921,657</u>	<u>\$ 85,770,868</u>
Accumulated Provision for Depreciation of Telephone Property	<u>\$ 408,429,924</u>	<u>\$ 370,334,402</u>
Deferred Credits		
Income Tax	\$ 48,224,118	\$ 48,224,118
Reduction in income taxes for the years 1954 to 1957 inclusive, for appropriation in future years, due to depreciation deducted for tax purposes being in excess of that included in operating expenses.		
Employees' Stock Plan	16,021,286	13,851,809
Instalments paid by employees subscribing for capital stock, with interest thereon.		
Other Deferred Credits.	632,687	411,775
TOTAL DEFERRED CREDITS	<u>\$ 64,878,091</u>	<u>\$ 62,487,702</u>
TOTAL LIABILITIES	<u>\$1,983,390,075</u>	<u>\$1,814,837,713</u>

W. McNEILL, *Comptroller.*

COMPARATIVE INCOME STATEMENT

	Year 1961	Year 1960
Operating Revenues		
Local Service Revenues	\$269,515,195	\$250,871,928
Long Distance Service Revenues	138,363,693	129,979,914
Miscellaneous Revenues	27,442,871	25,592,601
Principally from directory advertising.		
Less: Uncollectible Operating Revenues.	1,665,105	1,596,020
Total Operating Revenues	\$433,656,654	\$404,848,423
Operating Expenses		
Current Maintenance	\$ 83,852,376	\$ 81,294,505
Cost of inspection, repairs and rearrangements required to keep the telephone property in good operating condition.		
Depreciation.	78,901,940	72,089,749
Provision to meet the loss of investment when depreciable property is retired from service, based on rates designed to spread this loss uniformly over the life of the property.		
Traffic Expenses.	36,111,099	37,680,204
Principally operators' wages.		
Commercial Expenses	35,719,312	34,145,554
Costs incurred in business relations with customers; public telephone commissions; cost of directories; sales expense, etc.		
Other Operating Expenses.	47,903,200	45,218,487
General office salaries and expenses, benefit payments, provision for service pensions, operating rents and other general expenses.		
Year 1961: salaries paid to Executive Officers \$657,363; salaries and fees paid to Counsel, Solicitors and other legal advisors of the Company \$190,912; fees paid to Directors and members of the Executive Committee \$67,050, of which \$8,300 was paid and accounted for by subsidiary companies.		
Total Operating Expenses	\$282,487,927	\$270,428,499
NET OPERATING REVENUES	\$151,168,727	\$134,419,924
Operating Taxes		
Income Taxes	\$ 54,621,000	\$ 48,039,000
Other Taxes	18,862,000	16,692,000
Total Operating Taxes	\$ 73,483,000	\$ 64,731,000
NET OPERATING INCOME	\$ 77,685,727	\$ 69,688,924
Other Income		
Dividends and Interest from Investments	\$ 4,401,876	\$ 4,344,974
Miscellaneous Income (Net)	2,263,868	2,630,964
Principally interest, on plant under construction and on temporary cash investments.		
Total Other Income	\$ 6,665,744	\$ 6,975,938
INCOME AVAILABLE FOR FIXED CHARGES	\$ 84,351,471	\$ 76,664,862
Fixed Charges		
Interest on Long Term Debt	\$ 25,516,057	\$ 21,906,198
Interest and related foreign exchange.		
Other Interest	803,061	936,647
Amortization of Discount and Premium on Long Term Debt	341,832	310,110
Proportion of discount, premium and expense applicable to the year relating to bonds and debentures outstanding and redeemed.		
Total Fixed Charges	\$ 26,660,950	\$ 23,152,955
NET INCOME AVAILABLE FOR DIVIDENDS	\$ 57,690,521	\$ 53,511,907
Dividends	50,786,210	46,652,348
RETAINED EARNINGS TRANSFERRED TO SURPLUS	\$ 6,904,311	\$ 6,859,559

LONG TERM DEBT

Dec. 31, 1961

Bonds—First Mortgage

SERIES D — Maturing Aug. 1, 1964 — $3\frac{1}{4}\%$	. . . . .	\$ 25,000,000
SERIES E — Maturing Mar. 1, 1977 — 3\%	. . . . .	35,000,000
SERIES F — Maturing Feb. 15, 1973 — $3\frac{1}{4}\%$	. . . . .	35,000,000
SERIES G — Maturing June 1, 1975 — $3\frac{3}{8}\%$	. . . . .	40,000,000
SERIES I — Maturing May 1, 1976 — $3\frac{1}{2}\%$	. . . . .	40,000,000
SERIES J — Maturing Dec. 15, 1967 — $4\frac{1}{2}\%$	. . . . .	40,000,000
SERIES K — Maturing May 15, 1979 — $3\frac{3}{4}\%$	. . . . .	40,000,000
SERIES L — Maturing Dec. 1, 1970 — 4\%	. . . . .	16,000,000
SERIES M — Maturing June 1, 1981 — 4\%	. . . . .	24,000,000
SERIES N — Maturing Jan. 2, 1972 — $4\frac{3}{4}\%$	(Payable in U.S. Funds)	20,000,000
SERIES O — Maturing Mar. 15, 1972 — 5\%	. . . . .	20,000,000
SERIES P — Maturing Mar. 15, 1983 — $4\frac{1}{4}\%$	(Payable in U.S. Funds)	50,000,000
SERIES Q — Maturing July 2, 1980 — $5\frac{1}{4}\%$	. . . . .	30,000,000
SERIES R — Maturing Jan. 2, 1978 — $6\frac{1}{4}\%$	. . . . .	35,000,000
SERIES S — Maturing Apr. 1, 1974 — $6\frac{1}{4}\%$	. . . . .	25,000,000
SERIES T — Maturing Aug. 2, 1982 — $5\frac{3}{4}\%$	. . . . .	50,000,000
SERIES U — Maturing Jan. 2, 1986 — 6\%	. . . . .	35,000,000
Total Bonds		\$560,000,000

Debentures

SERIES C — Maturing Oct. 1, 1962 — $4\frac{1}{2}\%$	. . . . .	\$ 10,000,000
Total Debentures		\$ 10,000,000

TOTAL LONG TERM DEBT \$570,000,000

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
THE BELL TELEPHONE COMPANY OF CANADA,
MONTREAL, QUE.

We have examined the balance sheet of The Bell Telephone Company of Canada as at December 31, 1961 and the income statement for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and income statement are properly drawn up so as to exhibit a true and correct view of the financial position of The Bell Telephone Company of Canada as at December 31, 1961 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We report that the operations of the subsidiary companies for the year ended December 31, 1961 resulted in an aggregate net profit of which only the dividends received or receivable by the company have been included in the accompanying income statement.

ROSS, TOUCHE & Co.
Chartered Accountants.

Montreal, Que.
February 2, 1962.

THE TELEPHONE

AT DECEMBER 31	1961	1960	1959
Number of Telephones	3,695,107	3,515,007	3,330,877
Business	1,096,676	1,041,909	991,860
Residence	2,598,431	2,473,098	2,339,017
per cent Residence	70.3	70.4	70.2
per cent Dial	95.2	94.2	91.8
Telephones Added During the Year*	180,100	184,130	190,528
connected	905,286	876,164	860,550
disconnected	725,186	692,034	670,022
Other Telephone Systems in Ontario and Quebec	483	524	581
Number of Telephones	336,552	325,052	322,401
Average Calls Placed Daily*	22,688,000	21,668,000	20,951,000
Long Distance	409,000	391,000	378,000
Miles of Long Distance Circuits	1,871,000	1,769,000	1,656,000
Construction Expenditures*	\$ 192,600,000	\$ 207,700,000	\$ 196,100,000
Total Plant and Equipment per Telephone	\$1,842,547,676 \$499	\$1,697,921,442 \$483	\$1,534,462,754 \$461
Number of Employees	34,302	35,656	37,158
Men	15,553	15,816	16,035
Women	18,749	19,840	21,123
Total Payroll*	\$ 161,859,420	\$ 159,028,668	\$ 155,156,297
Number of Shareholders in Canada	178,126 172,778	171,288 166,627	170,767 166,443
Total Shares Outstanding per cent held in Canada	23,746,945 92.2	21,340,072 92.1	21,024,690 92.0
Total Operating Revenues*	\$ 433,656,654	\$ 404,848,423	\$ 376,604,645
Total Operating Expenses*	\$ 282,487,927	\$ 270,428,499	\$ 256,232,248
Net Income* per Average Share Outstanding	\$ 57,690,521 \$2.50	\$ 53,511,907 \$2.52	\$ 50,283,578 \$2.48

*for the year ended December 31.

STORY IN FIGURES

1958	1957	1956	1955	1954
3,140,349	2,954,884	2,766,153	2,522,745	2,294,458
940,589	893,211	848,724	782,620	718,597
2,199,760	2,061,673	1,917,429	1,740,125	1,575,861
70.0	69.8	69.3	69.0	68.7
90.0	88.7	86.1	83.9	82.6
185,465	188,731	243,408	228,287	167,002
785,279	731,970	759,089	685,516	572,616
599,814	543,239	515,681	457,229	405,614
611	636	674	706	741
310,631	295,796	289,539	288,392	312,213
19,829,000	18,646,000	16,989,000	15,747,000	13,940,000
361,000	336,000	317,000	298,000	267,000
1,451,000	1,187,000	1,058,000	908,000	806,000
\$ 183,200,000	\$ 177,300,000	\$ 139,500,000	\$ 128,400,000	\$ 105,300,000
\$1,378,274,117	\$1,223,615,264	\$1,066,296,579	\$ 945,119,244	\$ 821,437,516
\$439	\$414	\$385	\$375	\$358
39,321	41,363	39,688	36,340	32,706
16,784	17,018	15,632	13,892	12,160
22,537	24,345	24,056	22,448	20,546
\$ 154,611,767	\$ 146,952,560	\$ 130,677,707	\$ 116,037,106	\$ 103,382,705
157,724	156,825	140,726	125,223	114,782
154,308	153,498	137,753	122,452	112,246
18,183,956	17,983,980	15,506,932	13,643,401	11,759,949
91.8	91.8	91.1	90.6	90.0
\$ 328,817,571	\$ 302,985,820	\$ 273,975,152	\$ 244,899,537	\$ 219,374,348
\$ 239,303,260	\$ 220,445,304	\$ 196,252,745	\$ 173,197,648	\$ 153,721,763
\$ 38,899,289	\$ 36,037,169	\$ 34,949,181	\$ 31,978,042	\$ 28,549,135
\$2.15	\$2.15	\$2.40	\$2.43	\$2.44



Convenient drive-up telephones serve the public on many streets and highways, like this phone on the autoroute to the Laurentians. There are new walk-up telephones, too.

The first of 600 emergency telephones being installed for the City of Montreal is tried out by Acting Captain Jean Y. Bernard of Station 15.





This is the desk-top control unit for our latest private exchange (PBX). Automatically, an outside call to a busy extension can be held in the equipment till the line is free, or transferred to another phone.



TV microwave pick-up units, operating out of Montreal, Ottawa and Toronto, are in constant use for relaying outside programs, particularly sports events. They can also be adapted to provide emergency links for telephone service.

